



Bulletin #07-25

Thursday, July 12, 2007

SENATE MEDICAID PROPOSAL ON THE MOVE

The Senate moved forward its county Medicaid relief plan today with a second reading on **H1016**, a bill that would phase out the county Medicaid share over the next three years. The state would assume 25 percent of county Medicaid costs incurred on or after Oct. 1, 2007, saving counties \$86.2 million in Medicaid expenses in 2007-08. Additional and growing relief occurs July 1, 2008, whereby the state assumes 50 percent of county Medicaid relief, providing an estimated \$271.2 million in relief in 2008-09. Finally, counties would be free from their Medicaid burden entirely come July 1, 2009, with nearly \$600 million in county Medicaid relief for that fiscal year.

To help defray first-year expenses, the state takes \$45 million or roughly half of the county share of the corporate income tax, called the ADM Fund, and requires counties to replace these school capital dollars with their Medicaid savings. H1016 does not take any ADM money in later years.

In the second year, the state begins gradual assumption of a portion of the local-option sales taxes (Article 44). The state would take the per capita one-fourth cent on Oct. 1, 2008, and would assume another one-fourth cent on Oct. 1, 2009. Article 42 — a half-penny local sales tax distributed statewide on per capita sales basis — is also converted to a point-of-collection basis on Oct. 1, 2009.

When the swap is complete, there would be 2 cents of local-option sales taxes, with 1.5 cents (Article 39 and Article 42) distributed on a point of collection basis, and 0.5 cents (Article 40) on a per capita basis. H1016 holds all cities and counties harmless and it does not require any counties to raise taxes to make up for any lost revenue. The city hold harmless allows for growth, and the county's statutory hold harmless lasts for 10 years, or until the amount of Medicaid relief a county receives is at least equal to the amount of revenues given up.

This is a major step toward achieving our priority goal of permanent Medicaid relief. The Association is still pursuing alternate revenues, including either a local-option sales tax or a local-option land transfer tax, for counties to deal with growing infrastructure demands.

The bill's Medicaid relief components are available online at www.ncacc.org/documents/h1016components.pdf.

LOTTERY PROCEEDS REDISTRIBUTION

The House this week approved legislation that would reallocate lottery proceeds earmarked for school construction. The original lottery legislation allocated 40 percent of net proceeds for school capital outlay, with 35 percent of this portion distributed to counties whose effective property tax rates were above the state average. **H9**, approved by the House on Wednesday, would change the way this 35 percent is distributed. Half of this amount would "be allocated to local school administrative units located in whole or in part in low wealth counties." To determine the amount allocated to each low wealth county, the Department of Public Instruction is to take the total amount available — 17.5 percent of net proceeds — and multiply by that county's proportion of the funds allocated under the 2005 Appropriations Act. The other half of the 35 percent would be allocated "to growing local school administrative units on the basis of growth of the average daily membership for the budget year as determined and certified by the State Board of Education over a five-year period."

SOLID WASTE BILL TO BE HEARD NEXT WEEK IN SENATE COMMITTEE

It is our understanding that the solid waste bill we have been discussing throughout the session will be heard in Senate Environment next Tuesday. Although **S1492** has been amended to accommodate some of our requests, the

cumulative impact of many remaining provisions in the current version of the bill will significantly limit the ability of a county to cite, operate, or expand solid waste facilities. As we continue to oppose the bill, we will keep you apprised of the bill status.

S831 (Wireless Telecommunication Facilities) is tentatively scheduled to be heard in Senate Commerce Committee next Wednesday. Association staff has been negotiating the bill with proponents for many weeks and are pleased with the progress being made. We are unsure at this point what version will be released next week and reserve judgment as to whether the bill adequately protects the interests of county officials and the citizens they represent. The original version of the bill severely restricted the ability of local governments to regulate the location and characteristics of wireless telecommunicating facilities being cited in local communities and was opposed by the Association.

The Interbasin Transfer bill (**S1421**) was discussed in committee today. It significantly alters the process through which local governments would pursue the ability to obtain an interbasin transfer certification from the Environmental Review Commission. While the Association has no position on any individual interbasin transfer request, we are concerned that legislation amending the interbasin transfers process may make future transfers an impossibility and could inhibit regional and intergovernmental cooperation.

BILLS OF INTEREST

The Association has created a section on its Web site to track bills of interest to county officials. Visit www.ncacc.org/legislation/about.html for updates on key legislation, including the bills listed below.

Bill: **H91**

Sponsors: Tolson (D23); Holliman (D81); Ross (D38); Parmon (D72)

Title: REGISTRATION AND VOTING AT ONE-STOP SITES

History: 07/11/2007 – H Conference committee report adopted.

07/11/2007 – S Conference committee report adopted.

Comments: This bill allows unregistered voters to register and vote right away during the one-stop voting period immediately preceding an election. The bill passed the House and Senate on July 11 after some revisions. Current law requires North Carolinians to register to vote 25 days before an election. Seven other states currently have same day voter registration laws. The bill awaits Gov. Easley's signature.

Bill: **H150**

Sponsors: Glazier (D45); Parmon (D72); Pate (R11); Folwell (R74)

Title: EVERY CHILD READY TO LEARN

History: 07/04/2007 – G Signed by the Governor 7/4/2007.

07/04/2007 – R Chaptered Session Law 2007-173.

Comments: This bill has been signed by the governor. It changes the cutoff date for kindergarten from Oct. 16 to Aug. 31. Children must reach the age of 5 on or before Aug. 31 to be eligible to enter kindergarten that year. The bill becomes effective for the 2009-10 school year.

Bill: **H676**

Sponsors: Owens (D1); Weiss (D35); Stam (R37); Carney (D102)

Title: INCREASE REGISTER OF DEEDS' PENSION

History: 07/11/2007 – H Ratified.

Position: Support

Category: Legislative Goal

Comments: The bill awaits the governor's signature after the House concurred with the Senate's changes. The Senate changed the percentage that counties are required to put into the retirement fund from 0.9 percent to 1.5 percent, a significant reduction from the current rate of 4.5 percent. It also increased the maximum payable benefit to \$1,500 per month from \$1,200 per month.

– NCACC Legislative Team